

Mary Taylor, CPA
Auditor of State

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Barberton City School District
Summit County
479 Norton Avenue
Barberton, Ohio 44203

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Barberton City School District, Summit County, Ohio, (the District) as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Barberton City School District, Summit County, Ohio, as of June 30, 2008, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2008, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The federal awards receipts and expenditures schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the federal awards receipts and expenditures schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

December 31, 2008

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

The Management's Discussion and Analysis of the Barberton City School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the transmittal letter, the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2008 are as follows:

- In total, net assets of governmental activities increased \$802,419 which represents a 2.68% increase from 2007.
- General revenues accounted for \$33,179,217 in revenue or 68.00% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$15,615,026 or 32.00% of total revenues of \$48,794,243.
- The District had \$47,991,824 in expenses related to governmental activities; only \$15,615,026 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$33,179,217 were adequate to provide for these programs.
- The District's major governmental funds are the general fund and classroom facilities fund. The general fund had \$35,908,461 in revenues and \$34,359,268 in expenditures. During fiscal year 2008, the general fund's fund balance increased \$1,549,193 from \$5,029,696 to a balance of \$6,578,889.
- The District's classroom facilities fund had \$26,611,167 in revenues and other financing sources and \$195,118 in expenditures. During fiscal year 2008, the classroom facilities fund's fund balance increased \$26,416,049 from a zero balance to a balance of \$26,416,049.

Using these Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The statement of net assets and statement of activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund and classroom facilities fund are by far the most significant funds, and the only governmental funds reported as major funds.

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2008?" The statement of net assets and the statement of activities answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the statement of net assets and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net assets and statement of activities can be found on pages 13-14 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 9. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and classroom facilities fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-19 of this report.

Proprietary Funds

The District maintains a proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District's internal service fund accounts for insurance benefits. The basic proprietary fund financial statements can be found on pages 20-22 of this report.

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals. These activities are reported in an agency fund. All of the District's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets on pages 23 and 24. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 25-51 of this report.

The District as a Whole

The statement of net assets provides the perspective of the District as a whole.

The table below provides a summary of the District's net assets for 2008 and for 2007.

	Net Assets	
	Governmental Activities 2008	Governmental Activities 2007
<u>Assets</u>		
Current and other assets	\$ 62,624,703	\$ 31,780,723
Capital assets, net of depreciation	<u>45,143,789</u>	<u>46,535,604</u>
Total assets	<u>107,768,492</u>	<u>78,316,327</u>
<u>Liabilities</u>		
Current liabilities	17,399,106	17,423,173
Long-term liabilities	<u>59,591,748</u>	<u>30,917,935</u>
Total liabilities	<u>76,990,854</u>	<u>48,341,108</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	22,193,415	24,210,846
Restricted	3,019,013	3,203,865
Unrestricted	<u>5,565,210</u>	<u>2,560,508</u>
Total net assets	<u>\$ 30,777,638</u>	<u>\$ 29,975,219</u>

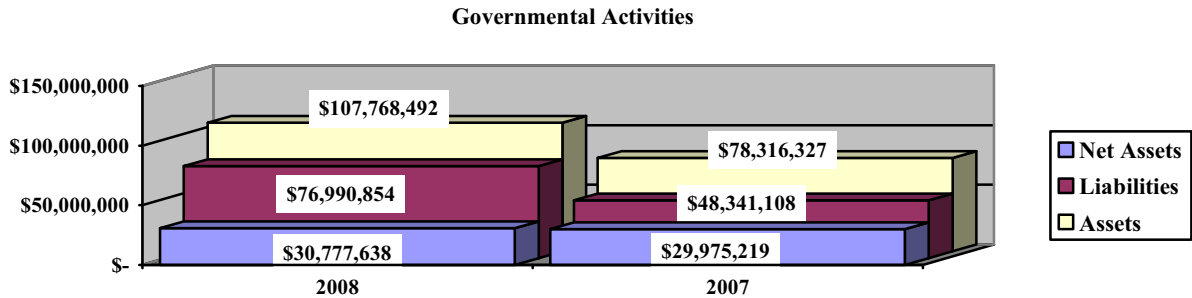
Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2008, the District's assets exceeded liabilities by \$30,777,638.

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

At year-end, capital assets represented 41.89% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, vehicles and construction in progress. Capital assets, net of related debt to acquire the assets at June 30, 2008, were \$22,193,415. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$3,019,013, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets is \$5,565,210.



The table below shows the change in net assets for fiscal year 2008 and 2007.

Change in Net Assets

	Governmental Activities 2008	Governmental Activities 2007
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 2,233,590	\$ 1,734,649
Operating grants and contributions	13,357,017	13,149,174
Capital grants and contributions	24,419	62,735
General revenues:		
Property taxes	13,757,958	14,379,684
Grants and entitlements-not restricted	18,660,799	18,876,660
Investment earnings	692,649	893,366
Miscellaneous	67,811	626,700
Total revenues	<u>48,794,243</u>	<u>49,722,968</u>

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Change in Net Assets

	<u>Governmental Activities 2008</u>	<u>Governmental Activities 2007</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 16,952,951	\$ 15,895,950
Special	6,673,268	6,311,023
Vocational	1,069,174	963,587
Other	4,350,733	3,677,478
Support services:		
Pupil	1,953,457	1,788,319
Instructional staff	2,087,768	1,953,541
Board of education	17,624	42,388
Administration	3,125,171	3,102,876
Fiscal	547,840	743,396
Business	221,480	296,452
Operations and maintenance	4,587,664	4,311,970
Pupil transportation	844,876	916,142
Central	81,747	94,582
Operations of non-instructional services	57,875	325,529
Food service operations	2,131,113	1,964,078
Extracurricular activities	1,879,488	1,766,925
Intergovernmental pass through	125,956	148,167
Interest and fiscal charges	<u>1,283,639</u>	<u>1,508,881</u>
Total expenses	<u>47,991,824</u>	<u>45,811,284</u>
Change in net assets	802,419	3,911,684
Net assets at beginning of year	<u>29,975,219</u>	<u>26,063,535</u>
Net assets at end of year	<u>\$ 30,777,638</u>	<u>\$ 29,975,219</u>

Governmental Activities

Net assets of the District's governmental activities increased \$802,419. Total governmental expenses of \$47,991,824 were offset by program revenues of \$15,615,026 and general revenues of \$33,179,217. Program revenues supported 32.59% of the total governmental expenses. At year-end, unrestricted net assets were \$5,909,765.

The largest source of revenue comes from unrestricted grants and entitlements, which account for 38.24% of total governmental revenues. Unrestricted grants and entitlements include monies received from the Ohio Department of Education, State foundation, and property tax relief such as homestead rollbacks and exemptions.

Property taxes are the second largest source of revenues, providing 28.20% of all governmental revenues. Real estate property is reappraised every six years.

Program revenues include charges for services, grants and contributions that are program specific. These include grants from the Barberton Community Foundation, grants for specific purposes, reimbursements for services by third-parties, open enrollment, tuition, food service receipts, and extracurricular receipts.

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Total expenses increased only 4.76% or \$2,180,540 due to the tightening of expenses to ensure financial stability of the District. The largest expense of the District is for instructional programs. Instruction expenses totaled \$29,046,126 or 60.52% of total governmental expenses for fiscal year 2008.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

	Governmental Activities			
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	<u>2008</u>	<u>2008</u>	<u>2007</u>	<u>2007</u>
Program expenses				
Instruction:				
Regular	\$ 16,952,951	\$ 14,318,428	\$ 15,895,950	\$ 13,310,492
Special	6,673,268	1,022,177	6,311,023	779,196
Vocational	1,069,174	705,660	963,587	625,233
Other	4,350,733	3,689,910	3,677,478	2,989,964
Support services:				
Pupil	1,953,457	1,702,688	1,788,319	1,548,604
Instructional staff	2,087,768	1,246,810	1,953,541	1,260,260
Board of education	17,624	17,624	42,388	42,388
Administration	3,125,171	2,965,876	3,102,876	2,995,438
Fiscal	547,840	547,840	743,396	743,396
Business	221,480	221,480	296,452	296,452
Operations and maintenance	4,587,664	4,425,024	4,311,970	4,221,638
Pupil transportation	844,876	728,230	916,142	776,438
Central	81,747	55,507	94,582	70,273
Operations of non-instructional services	57,875	6,642	325,529	115,194
Food service operations	2,131,113	245,165	1,964,078	161,068
Extracurricular activities	1,879,488	1,284,402	1,766,925	1,672,690
Intergovernmental pass through	125,956	(15,634)	148,167	3,036
Interest and fiscal charges	1,283,639	(791,031)	1,508,881	(747,034)
Total	<u>\$ 47,991,824</u>	<u>\$ 32,376,798</u>	<u>\$ 45,811,284</u>	<u>\$ 30,864,726</u>

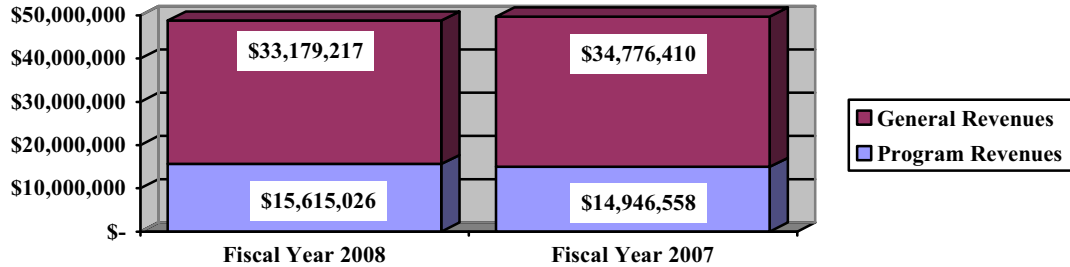
The dependence upon tax and other general revenues for governmental activities is apparent, 67.95% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 67.46%. The District's taxpayers and unrestricted grants and entitlements from the State of Ohio, as a whole, are by far the primary support for District's students.

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

The graph below presents the District's governmental activities revenue for fiscal year 2008 and 2007.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds (as presented on the balance sheet on page 15) reported a combined fund balance of \$39,615,001, which is higher than last year's total of \$8,109,989. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2008 and 2007.

	Fund Balance <u>June 30, 2008</u>	Fund Balance <u>June 30, 2007</u>	Increase <u>(Decrease)</u>
General	\$ 6,578,889	\$ 5,029,696	\$ 1,549,193
Classroom Facilities	26,416,049	-	26,416,049
Other Governmental	<u>6,620,063</u>	<u>3,080,293</u>	<u>3,539,770</u>
Total	<u>\$ 39,615,001</u>	<u>\$ 8,109,989</u>	<u>\$31,505,012</u>

General Fund

The District's general fund's fund balance increased by \$1,549,193. The primary reason for this increase is due to the continued collection of taxes that began in fiscal year 2006 from the emergency levy passed on February 8, 2005. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>2008</u>	<u>2007</u>	<u>Percentage</u>
	<u>Amount</u>	<u>Amount</u>	<u>Change</u>
<u>Revenues</u>			
Taxes	\$ 13,859,386	\$ 13,723,490	0.99 %
Tuition	718,527	761,163	(5.60) %
Earnings on investments	642,793	880,076	(26.96) %
Intergovernmental	20,563,079	20,647,377	(0.41) %
Other revenues	<u>124,676</u>	<u>169,784</u>	(26.57) %
Total	<u>\$ 35,908,461</u>	<u>\$ 36,181,890</u>	(0.76) %
<u>Expenditures</u>			
Instruction	\$ 21,675,636	\$ 20,035,345	8.19 %
Support services	11,276,195	11,325,308	(0.43) %
Extracurricular activities	1,015,464	945,575	7.39 %
Facilities acquisition and construction	110,878	14,859	646.20 %
Debt service	<u>281,095</u>	<u>287,917</u>	(2.37) %
Total	<u>\$ 34,359,268</u>	<u>\$ 32,609,004</u>	5.37 %

Classroom Facilities Fund

The District's classroom facilities fund had \$26,611,167 in revenues and other financing sources and \$195,118 in expenditures. During fiscal year 2008, the classroom facilities fund's fund balance increased \$26,416,049 from a zero balance to \$26,416,049. The District issued bond anticipation notes in the amount of \$31,166,199, of which \$26,533,063 was proceeded into the classroom facilities fund.

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund.

During the course of fiscal year 2008, the District amended its general fund budget numerous times. For the general fund, final budgeted revenues and other financing sources were \$34,774,372, which is less than the original budgeted revenues estimate of \$35,096,304. Actual revenues and other financing sources for fiscal year 2008 was \$35,176,300. This represents a \$401,928 increase from final budgeted revenues.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$44,467,418 were decreased to \$35,341,990 in the final appropriations. The actual budget basis expenditures for fiscal year 2008 totaled \$35,276,115, which was \$65,875 less than the final budget appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2008, the District had \$45,143,789 invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles and construction in progress. This entire amount is reported in governmental activities. The following table shows fiscal year 2008 balances compared to 2007:

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**Capital Assets at June 30
(Net of Depreciation)**

	<u>Governmental Activities</u>	
	<u>2008</u>	<u>2007</u>
Land	\$ 5,239,550	\$ 5,239,550
Land improvements	2,899,570	3,160,092
Building and improvements	35,392,697	36,507,818
Furniture and equipment	938,441	1,069,458
Vehicles	486,147	558,686
Construction in progress	<u>187,384</u>	<u>-</u>
Total	<u>\$ 45,143,789</u>	<u>\$ 46,535,604</u>

Total additions to capital assets for 2008 were \$202,379. The overall decrease in capital assets of \$1,391,815 is primarily due to the recording of \$1,594,194 in depreciation expense.

See Note 8 to the basic financial statements for additional information on the District's capital assets.

Debt Administration

At June 30, 2008, the District had \$55,394,061 in general obligation bonds and notes outstanding. Of this total, \$32,484,852 is due within one year and \$22,909,209 is due in greater than one year. The following table summarizes the bonds and notes outstanding.

Outstanding Debt, at June 30

	Governmental Activities <u>2008</u>	Governmental Activities <u>2007</u>
Bonds	\$ 24,227,862	\$ 25,220,019
Notes	31,166,199	-
Loans	<u>-</u>	<u>189,000</u>
Total	<u>\$ 55,394,061</u>	<u>\$ 25,409,019</u>

See Note 9 to the basic financial statements for additional information on the District's debt administration.

Current Financial Related Activities

The District's electors passed an 8.64 mill additional emergency levy for five years in the February 8, 2005 election. Collection of this levy began in 2006. The passage of this levy with continued reductions in spending has improved the stability of the District's finances. Our current five year forecast assumes that this levy will be renewed.

The District will not seek to renew an expiring 8.7 mill levy because the millage rates are at the 20 mill floor. Nor will it lose any general personal tangible taxes due to the fact that these taxes will be completely eliminated according to State law within one year of the levy's renewal date. However, the District will lose approximately \$700,000 of revenue associated with commercial/industrial real estate taxes since part of the effective rate on this tax base is above the 20 mill floor.

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

On March 4, 2008 the District passed the local requirement for its 40% share of the Ohio Schools Facilities Commission Project. This is a school levy that will positively impact the school district facilities and community for the next 50 years. A new middle school and new elementary school will be built. Johnson Elementary will be expanded, Woodford Elementary will be renovated, and ULLight will be converted to an elementary school. Minor renovations will be done to the high school as required by the State.

Due to the current economic climate, management is required to plan carefully and prudently to provide the resources to meet student needs over the next several years. Since the local contribution to public education continues to be based on property taxes, the recent reduction in home value reappraisals will have a negative effect on collections.

Contacting the District's Financial Management

This financial report is designed to provide our citizens taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ryan Pendleton, Treasurer/CFO, Barberton City School District, 479 Norton Avenue, Barberton, Ohio, 44203. Or if you prefer, you may email inquiries to: rpendleton@barberton.summit.k12.oh.us.

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

STATEMENT OF NET ASSETS
JUNE 30, 2008

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 19,063,161
Investments.	28,105,480
Receivables:	
Property taxes	14,045,649
Accounts	62,695
Intergovernmental	973,227
Accrued interest	40,746
Prepayments	20,077
Materials and supplies inventory	52,858
Unamortized bond issue costs	260,810
Capital assets:	
Land	5,239,550
Construction in progress	187,384
Depreciable capital assets, net	39,716,855
Total capital assets	45,143,789
 Total assets	 107,768,492
 Liabilities:	
Accounts payable.	333,461
Contracts payable.	68,519
Accrued wages and benefits	3,102,140
Intergovernmental payable	1,389,079
Accrued interest payable	208,653
Claims payable	628,461
Unearned revenue.	11,668,793
Long-term liabilities:	
Due within one year.	33,436,517
Due in more than one year	26,155,231
 Total liabilities	 76,990,854
 Net Assets:	
Invested in capital assets, net of related debt.	22,193,415
Restricted for:	
Capital projects	9,335
Debt service.	1,408,785
Locally funded programs	29,485
State funded programs	33,528
Federally funded programs	31,875
Student activities	104,873
Public school support.	141,051
Latchkey/head start programs.	20,900
Capital maintenance	1,239,181
Unrestricted	5,565,210
 Total net assets.	 \$ 30,777,638

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
Instruction:					
Regular	\$ 16,952,951	\$ 1,052,574	\$ 1,581,949	\$ -	\$ (14,318,428)
Special	6,673,268	50,947	5,591,144	9,000	(1,022,177)
Vocational	1,069,174	100	363,414	-	(705,660)
Other.	4,350,733	-	660,823	-	(3,689,910)
Support services:					
Pupil.	1,953,457	4,525	246,244	-	(1,702,688)
Instructional staff	2,087,768	7,029	833,929	-	(1,246,810)
Board of education.	17,624	-	-	-	(17,624)
Administration.	3,125,171	-	159,295	-	(2,965,876)
Fiscal.	547,840	-	-	-	(547,840)
Business	221,480	-	-	-	(221,480)
Operations and maintenance.	4,587,664	13,525	149,115	-	(4,425,024)
Pupil transportation	844,876	395	100,832	15,419	(728,230)
Central.	81,747	8,583	17,657	-	(55,507)
Operation of non-instructional services:					
Other non-instructional services	57,875	567	50,666	-	(6,642)
Food service operations.	2,131,113	618,620	1,267,328	-	(245,165)
Extracurricular activities	1,879,488	476,725	118,361	-	(1,284,402)
Intergovernmental pass through.	125,956	-	141,590	-	15,634
Interest and fiscal charges.	1,283,639	-	2,074,670	-	791,031
Totals.	\$ 47,991,824	\$ 2,233,590	\$ 13,357,017	\$ 24,419	(32,376,798)
General Revenues:					
Property taxes levied for:					
General purposes					13,725,687
Debt service.					32,271
Grants and entitlements not restricted					
to specific programs					18,660,799
Investment earnings					692,649
Miscellaneous					67,811
Total general revenues.					33,179,217
Change in net assets					802,419
Net assets at beginning of year					29,975,219
Net assets at end of year.					\$ 30,777,638

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS

	<u>General</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents	\$ 9,570,984	\$ 2,617,976	\$ 3,095,947	\$ 15,284,907
Investments.	-	23,927,347	4,178,133	28,105,480
Receivables:				
Property taxes	12,808,442	-	1,237,207	14,045,649
Accounts	56,063	-	6,632	62,695
Intergovernmental	224,519	-	748,708	973,227
Accrued interest	-	34,689	6,057	40,746
Due from other funds	317,225	-	-	317,225
Materials and supplies inventory	-	-	52,858	52,858
Prepayments.	20,077	-	-	20,077
Restricted assets:				
Equity in pooled cash and cash equivalents	1,239,181	-	-	1,239,181
Total assets	<u>\$ 24,236,491</u>	<u>\$ 26,580,012</u>	<u>\$ 9,325,542</u>	<u>\$ 60,142,045</u>
Liabilities:				
Accounts payable	\$ 157,254	\$ 80,908	\$ 92,199	\$ 330,361
Contracts payable	-	68,519	-	68,519
Accrued wages and benefits	2,389,547	-	712,593	3,102,140
Matured compensated absences payable	29,455	-	-	29,455
Intergovernmental payable.	1,202,152	-	186,927	1,389,079
Due to other funds	-	-	317,225	317,225
Deferred revenue.	1,235,919	14,536	159,328	1,409,783
Unearned revenue.	10,431,586	-	1,237,207	11,668,793
Accrued interest payable.	6,689	-	-	6,689
Notes payable	2,205,000	-	-	2,205,000
Total liabilities.	<u>17,657,602</u>	<u>163,963</u>	<u>2,705,479</u>	<u>20,527,044</u>
Fund Balances:				
Reserved for encumbrances	539,906	3,240	131,100	674,246
Reserved for materials and supplies inventory	-	-	52,858	52,858
Reserved for prepayments	20,077	-	-	20,077
Reserved for property tax unavailable for appropriation	1,303,347	-	-	1,303,347
Reserved for capital maintenance	1,239,181	-	-	1,239,181
Reserved for debt service.	-	-	1,610,749	1,610,749
Unreserved, undesignated, reported in:				
General fund.	3,476,378	-	-	3,476,378
Special revenue funds	-	-	86,464	86,464
Capital projects funds	-	26,412,809	4,738,892	31,151,701
Total fund balances	<u>6,578,889</u>	<u>26,416,049</u>	<u>6,620,063</u>	<u>39,615,001</u>
Total liabilities and fund balances	<u>\$ 24,236,491</u>	<u>\$ 26,580,012</u>	<u>\$ 9,325,542</u>	<u>\$ 60,142,045</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2008

Total governmental fund balances		\$ 39,615,001
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		45,143,789
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Property taxes	\$ 1,058,713	
Accrued interest	20,593	
Accounts	50,000	
Intergovernmental	280,477	
Total	1,409,783	1,409,783
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		1,907,512
In the statement of activities, interest is accrued on outstanding bonds and notes, whereas in governmental funds, interest is expensed when due.		(201,964)
Unamortized premiums on bond issuance are not recognized in the funds.		(1,279,907)
Unamortized bond issuance costs are not recognized in the funds.		260,810
Unamortized deferred charges on refundings are not recognized in the funds.		1,019,089
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General obligation bonds	(24,227,862)	
Bond anticipation notes payable	(31,166,199)	
Compensated absences	(1,702,414)	
Total	(57,096,475)	(57,096,475)
Net assets of governmental activities		\$ 30,777,638

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>General</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Taxes	\$ 13,859,386	\$ -	\$ 32,271	\$ 13,891,657
Tuition.	718,527	-	-	718,527
Charges for services	-	-	573,701	573,701
Earnings on investments.	642,793	29,263	52,547	724,603
Extracurricular.	13,451	-	208,254	221,705
Classroom materials and fees	10,754	-	134,461	145,215
Other local revenues.	100,471	-	2,716,625	2,817,096
Intergovernmental - intermediate	-	-	151,117	151,117
Intergovernmental - state	20,517,477	-	3,223,606	23,741,083
Intergovernmental - federal.	45,602	-	5,588,379	5,633,981
Total revenues	<u>35,908,461</u>	<u>29,263</u>	<u>12,680,961</u>	<u>48,618,685</u>
Expenditures:				
Current:				
Instruction:				
Regular	14,137,795	-	2,035,014	16,172,809
Special.	2,732,011	-	4,009,861	6,741,872
Vocational.	1,112,141	-	-	1,112,141
Other	3,693,689	-	662,911	4,356,600
Support Services:				
Pupil.	1,644,951	-	276,600	1,921,551
Instructional staff	1,193,960	-	884,585	2,078,545
Board of education	17,624	-	-	17,624
Administration.	2,976,285	-	163,278	3,139,563
Fiscal	548,721	-	-	548,721
Business	219,335	-	-	219,335
Operations and maintenance.	3,964,040	-	81,761	4,045,801
Pupil transportation	654,346	-	106,160	760,506
Central.	56,933	-	24,814	81,747
Operation of non-instructional services:				
Other non-instructional services	-	-	55,734	55,734
Food service operations	-	-	1,942,710	1,942,710
Extracurricular activities	1,015,464	-	625,565	1,641,029
Facilities acquisition and construction	110,878	149,427	442,528	702,833
Intergovernmental pass through	-	-	125,956	125,956
Debt service:				
Principal retirement	189,000	-	1,380,000	1,569,000
Interest and fiscal charges	92,095	-	956,850	1,048,945
Bond issuance costs.	-	45,691	-	45,691
Total expenditures	<u>34,359,268</u>	<u>195,118</u>	<u>13,774,327</u>	<u>48,328,713</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>1,549,193</u>	<u>(165,855)</u>	<u>(1,093,366)</u>	<u>289,972</u>
Other financing sources (uses):				
Sale of notes	-	26,533,063	4,633,136	31,166,199
Premium on sale of notes	-	48,841	-	48,841
Total other financing sources (uses).	<u>-</u>	<u>26,581,904</u>	<u>4,633,136</u>	<u>31,215,040</u>
Net change in fund balances	1,549,193	26,416,049	3,539,770	31,505,012
Fund balances at beginning of year	<u>5,029,696</u>	<u>-</u>	<u>3,080,293</u>	<u>8,109,989</u>
Fund balances at end of year	<u>\$ 6,578,889</u>	<u>\$ 26,416,049</u>	<u>\$ 6,620,063</u>	<u>\$ 39,615,001</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Net change in fund balances - total governmental funds	\$	31,505,012
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays in the current period.		
Capital asset additions	\$ 202,379	
Current year depreciation	(1,594,194)	
Total		(1,391,815)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	(133,699)	
Accrued interest	20,593	
Accounts	36,080	
Intergovernmental	252,584	
Total		175,558
Repayment of bond, note and loan principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities on the statement of net assets.		
		1,569,000
The issuance of bond anticipation notes are recorded as an other financing source in the governmental funds; however, the proceeds increase long-term liabilities on the statement of net assets.		
		(31,166,199)
Premiums on bonds issuance are recognized as an other financing source in the governmental funds, however, they are amortized over the life of the issuance in the statement of activities.		
		(48,841)
Bond issuance costs are recognized as expenditures in the governmental funds, however, they are amortized over the life of the issuance in the statement of activities.		
		45,691
In the statement of activities, interest is accrued on outstanding bonds and notes, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in more interest being reported on the statement of activities:		
Increase in accrued interest payable	149,998	
Accreted interest on "capital appreciation" bonds	(387,843)	
Amortization of bond issuance costs	(63,887)	
Amortization on bond premiums	138,137	
Amortization of deferred charge on refunding	(71,099)	
Total		(234,694)
Some expenses reported in the statement of activities, such as compensated absences and early retirement incentives, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds		
		579,247
The internal service fund used by management to charge the costs of medical, prescription drug, dental and vision claims to individual funds is not reported in the statement of activities. The net revenue of the internal service fund is reported within the governmental activities on the entity-wide statements.		
		(230,540)
Change in net assets of governmental activities	\$	802,419

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Taxes	\$ 13,155,942	\$ 13,035,065	\$ 13,185,977	\$ 150,912
Tuition	715,239	708,668	716,872	8,204
Earnings on investments	685,851	679,550	687,417	7,867
Extracurricular activities	13,420	13,297	13,451	154
Classroom materials and fees	10,730	10,631	10,754	123
Other local revenues	38,573	38,219	38,661	442
Intergovernmental - state	20,375,554	20,188,347	20,422,073	233,726
Intergovernmental - federal	43,593	43,193	43,693	500
Total revenues	<u>35,038,902</u>	<u>34,716,970</u>	<u>35,118,898</u>	<u>401,928</u>
Expenditures:				
Current:				
Instruction:				
Regular	18,482,434	14,689,543	14,754,969	(65,426)
Special	3,398,652	2,701,194	2,701,194	-
Vocational	1,509,232	1,199,513	1,196,450	3,063
Other	4,648,132	3,694,261	3,694,261	-
Support services:				
Pupils	2,021,570	1,606,711	1,597,755	8,956
Instructional staff	1,548,119	1,230,420	1,194,690	35,730
Board of education	38,141	30,314	30,314	-
Administration	3,775,629	3,000,809	3,000,809	-
Fiscal	748,388	594,807	549,760	45,047
Business	292,754	232,676	227,792	4,884
Operations and maintenance	5,618,147	4,465,213	4,262,099	203,114
Pupil transportation	887,617	705,464	693,477	11,987
Central	84,559	67,206	59,001	8,205
Extracurricular activities	1,280,405	1,017,645	1,017,645	-
Facilities acquisition and construction	133,639	106,214	106,214	-
Debt service:				
Principal retirement	-	-	189,000	(189,000)
Interest and fiscal charges	-	-	685	(685)
Total expenditures	<u>44,467,418</u>	<u>35,341,990</u>	<u>35,276,115</u>	<u>65,875</u>
Deficiency of revenues under expenditures	<u>(9,428,516)</u>	<u>(625,020)</u>	<u>(157,217)</u>	<u>467,803</u>
Other financing sources:				
Refund of prior year's expenditures	49,170	49,170	49,170	-
Sale of capital assets	8,232	8,232	8,232	-
Total other financing sources	<u>57,402</u>	<u>57,402</u>	<u>57,402</u>	<u>-</u>
Net change in fund balance	<u>(9,371,114)</u>	<u>(567,618)</u>	<u>(99,815)</u>	<u>467,803</u>
Fund balance at beginning of year	<u>9,378,854</u>	<u>9,378,854</u>	<u>9,378,854</u>	<u>-</u>
Prior year encumbrances appropriated	<u>1,126,284</u>	<u>1,126,284</u>	<u>1,126,284</u>	<u>-</u>
Fund balance at end of year	<u>\$ 1,134,024</u>	<u>\$ 9,937,520</u>	<u>\$ 10,405,323</u>	<u>\$ 467,803</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2008

	<u>Governmental Activities - Internal Service Fund</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ 2,539,073
Total assets	<u>2,539,073</u>
Liabilities:	
Accounts payable	3,100
Claims payable.	<u>628,461</u>
Total liabilities.	<u>631,561</u>
Net assets:	
Unrestricted	<u>1,907,512</u>
Total net assets.	<u><u>\$ 1,907,512</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Governmental Activities - Internal Service Fund
Operating revenues:	
Charges for services	\$ 3,636,044
Other	344,895
Total operating revenues	3,980,939
Operating expenses:	
Purchased services	419,509
Claims.	3,791,970
Total operating expenses	4,211,479
Operating loss	(230,540)
Net assets at beginning of year.	2,138,052
Net assets at end of year	\$ 1,907,512

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Governmental Activities - Internal Service Fund</u>
Cash flows from operating activities:	
Cash received from charges for services	\$ 3,636,044
Cash received from other operating revenues	344,895
Cash payments for purchased services	(416,748)
Cash payments for claims	<u>(3,396,475)</u>
 Net cash provided by operating activities	 <u>167,716</u>
 Net increase in cash and cash equivalents.	 167,716
 Cash and cash equivalents at beginning of year.	 <u>2,371,357</u>
 Cash and cash equivalents at end of year	 <u><u>\$ 2,539,073</u></u>
 Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (230,540)
 Changes in assets and liabilities:	
Increase in accounts payable	2,761
Increase in claims payable.	<u>395,495</u>
 Net cash provided by operating activities	 <u><u>\$ 167,716</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2008

	Private-Purpose Trust		Scholarship Trust		Agency
Assets:					
Equity in pooled cash and cash equivalents	\$ 139,658		\$ 83,527		
Receivables:					
Accounts	-		9		
Total assets	139,658		\$ 83,536		
Liabilities:					
Accounts payable	-		\$ 667		
Intergovernmental payable	-		20,275		
Due to students	-		62,594		
Total liabilities	-		\$ 83,536		
Net Assets:					
Held in trust for scholarships	139,658				
Total net assets	\$ 139,658				

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Private-Purpose Trust	Scholarship Trust
Additions:		
Interest	\$ 3,721	
Gifts and contributions.		67,414
Total additions.		71,135
Deductions:		
Scholarships awarded		21,039
Change in net assets		50,096
Net assets at beginning of year		89,562
Net assets at end of year		\$ 139,658

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Barberton City School District (the "District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The District operates under a locally-elected five-member Board form of government and provides educational services as mandated by State and/or federal agencies. The Board controls the District's 9 instructional/support facilities staffed by 203 non-certified employees, 343 certified teaching personnel and 28 administrators, who provide services to 4,275 students and other community members.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental type activity and to its proprietary fund provided they do not conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, foods service, community services and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's government board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise have access to the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes.

Within the boundaries of the District, Saint Augustine School is operated as a private school. State legislation provides funding to this private school. The District receives the money and then disburses the money as directed by the private school. The accounting for the monies is reflected in a special revenue fund of the District. The District does not have any component units.

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The following organizations are described due to their relationship to the District:

RELATED ORGANIZATION

The Barberton Public Library is a distinct subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The District is not involved in the budgeting process or operational management of the Library, nor does it subsidize or finance its operations. The selection of directors and approval of the annual budget by the District is conducted only to comply with statutory requirements. There were no related party transactions during fiscal year 2008.

JOINTLY GOVERNED ORGANIZATIONS

Northeast Ohio Network for Educational Technology

The Northeast Ohio Network for Educational Technology (NEOnet) is the computer service Organization or Data Acquisition Site (DAS) used by the District. NEOnet is an association of public school districts in a geographic area determined by the Ohio Department of Education. The Summit County Educational Service Center acts as the fiscal agent for the consortium. The purpose of the consortium is to develop and employ a computer system efficiently and effectively for the needs of the member Boards of Education. All Districts in the consortium are required to pay fees, charges and assessments as charged. NEOnet is governed by a board made up of superintendents (or designee) from all of the participating districts. An elected Executive Board consisting of seven members of the governing board is the managerial body of the consortium and meets six times a year. The District does not maintain an ongoing financial interest or an ongoing financial responsibility. Payments to NEOnet are made from the general fund, which amounted to \$89,136 during fiscal year 2008. Financial information can be obtained by contracting the fiscal agent at 420 Washington Avenue, Suite 200, Cuyahoga Falls, Ohio 44221.

Four Cities Vocational Compact

The Four Cities Vocational Compact (Compact) is a jointly governed organization to provide for the vocational and special education needs of the students of four participating school districts. The four-member board consists of the superintendent from each of the participating school districts. Students may attend any vocational or special education class offered by any of the four districts. If a student elects to attend a class offered by a school district other than the school district in which the student resides, the school district of residence pays an instructional fee to the school district that offered the class. Wadsworth City School District serves as the fiscal agent for this Compact, collecting and distributing payments. The committee exercises total control over the operation of the compact, including budgeting, appropriating, contracting and designating management. All revenues are generated from charges for services.

B. Fund Accounting

The District uses funds to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is divided into separate fund types.

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

GOVERNMENTAL FUNDS

Governmental funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major governmental funds:

General Fund - The general fund is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Classroom Facilities Fund - The classroom facilities capital projects fund is used to account for financial resources and expenditures related to the school facilities construction project.

Other governmental funds of the District are used to account for (a) the accumulation of resources for, and payment of, general long-term debt principal, interest and related costs; (b) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by proprietary and trust funds; (c) food service operations and (d) for grants and other resources whose use is restricted to a particular purpose.

PROPRIETARY FUND

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no enterprise funds. The following is a description of the District's internal service fund:

Internal Service Fund - The internal service fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the district, or to other governments, on a cost-reimbursement basis. The District's only internal service fund accounts for revenue for medical, surgical, prescription drug, dental and vision claims of the District's employees.

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into two classifications: private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's only trust fund is a private-purpose trust which accounts for several scholarship programs for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District reports two agency funds with one used to account for student activities managed by the student body and the other for monies held in fiscal agency capacity for another entity's Head Start program.

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

C. Basis of Presentation and Measurement Focus

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund operating activity is eliminated to avoid overstatement of revenues and expenses.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

The government-wide financial statements are prepared using the full accrual economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, the internal service fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of this fund are included on the statement of fund net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activity.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the District's internal service fund is charges for services. Operating expenses for the internal service fund includes the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The private-purpose trust fund is reported using the economic resources measurement focus. The agency funds do not report a measurement focus as they do not report operations.

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting on the fund financial statements. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenues - Exchange and Non-exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, interest, tuition, grants, student fees and rentals.

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 operations and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2008 are recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have been reported as deferred revenue.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities used during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. Budgetary Accounting

Tax Budget - Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the board-adopted budget is filed with the Summit County Budget Commission for tax rate determination.

Estimated Resources - Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original and final budgeted amount in the budgetary statement reflect the amounts set forth in the original and final amended certificate of estimated resources issued for fiscal year 2008.

Appropriations - Upon receipt from the County Fiscal Officer of an amended certificate of resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund/object level for the general fund and the fund level for all other funds for expenditures, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The Appropriation Resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at the legal level of control. Any revisions that alter the fund/object for the general fund and total of any fund appropriation for all other funds must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted.

The amounts reported as the original budget expenditure amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The final budget figures, which appear in the statements of budgetary comparisons, represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, other than agency funds, consistent with statutory provisions. Under Ohio law advances are not required to be budgeted.

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Expenditures plus appropriations may not legally exceed appropriations. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent year expenditures for governmental funds.

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Lapsing of Appropriations - At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

F. Cash and Investments

To improve cash management, all cash received by the District is pooled in several bank accounts. Monies for all funds are maintained in these accounts or temporarily used to purchase short-term investments. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" and "investments" on the basic financial statements.

During fiscal year 2008, investments were limited to federal agency securities, a U.S. government money market account, a repurchase agreement and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Investments are reported at fair value, which is based on quoted market prices.

The District has invested funds in STAR Ohio during fiscal year 2008. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2008.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest is legally required to be placed in the general fund; the food service, public school support, district managed student activities and auxiliary special revenue funds; the scholarships private purpose fund; and the student activities and district agency funds. Interest revenue credited to the general fund during fiscal year 2008 amounted to \$642,793 which includes \$406,725 assigned from other District funds.

For presentation on the financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the District's investments at year-end is provided in Note 4.

G. Prepayments

Payments made to vendors for services that will benefit periods beyond June 30, 2008, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

H. Inventory

Inventories of governmental funds are stated at cost. For all funds, cost is determined on a first-in, first-out basis. Inventories of the food service fund consist of donated food, purchased food and supplies held for resale. Inventories reported on the fund financial statements are expensed when used. On the government-wide financial statements, inventories are also presented at cost on a first-in, first-out basis and are expensed when used.

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

I. Capital Assets and Depreciation

General capital assets are those assets not specifically related to activities reported in the proprietary fund. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset life are not. It is the policy of the District to not capitalize interest costs incurred as part of construction.

All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land improvements	15 - 20 years
Buildings and improvements	25 - 40 years
Furniture and equipment	5 - 20 years
Vehicles	8 years

J. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “due to/from other funds.” These amounts are eliminated in the governmental type activities columns of the statement of net assets.

K. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set-aside to establish a capital maintenance reserve. This reserve is required by State statute. A schedule of statutory reserves is presented in Note 17.

L. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees’ rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefit through paid time off or some other means.

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to extent that it is probable that the benefits will result in termination payments. The liability is based on the District’s past experience of making termination payments. The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

The District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

M. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from the internal service fund are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Long-term loans and bonds are recognized as a liability on the fund financial statements when due.

N. Unamortized Bond Issuance Costs/Bond Premium and Discount/Accounting Gain or Loss

On government-wide financial statements, issuance costs are deferred and amortized over the term of the bonds using the straight-line method. Unamortized issuance costs are recorded as a separate line item on the statement of net assets.

Bond premiums are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds.

For advance refundings resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as an addition to or reduction of the face amount of the new debt.

On the governmental fund financial statements, issuance costs and bond premiums are recognized in the current period. A reconciliation between the bonds face value and the amount reported on the statement of net assets is presented in Note 9. A.

O. Fund Balance Reserves

The District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances, materials and supplies inventory, prepayments, property tax unavailable for appropriation, debt service and capital maintenance. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP, but not available for appropriation under State statute.

P. Estimates

The preparation of the basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Q. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. As of June 30, 2008, no net assets were restricted by enabling legislation.

R. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the District, these revenues are charges for services for the self-insurance program. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the fund.

S. Interfund Transactions

Interfund transfers are reported as other financing sources/uses for governmental funds in the fund financial statements. All transfers between governmental funds have been eliminated within the governmental activities column of the statement of net assets.

T. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2008.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2008, the District has implemented GASB Statement No. 45, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions", GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues", and GASB Statement No. 50, "Pension Disclosures".

GASB Statement No. 45 establishes uniform standards of financial reporting for other postemployment benefits and increases the usefulness and improves the faithfulness of representations in the financial reports. The implementation of GASB Statement No. 45 did not have an effect on the financial statements of the District; however, certain disclosures related to postemployment benefits (see Note 14) have been modified to conform to the new reporting requirements.

GASB Statement No. 48 establishes criteria to ascertain whether certain transactions should be regarded as sales or as collateralized borrowings, as well as disclosure requirements for future revenues that are pledged and sold. The implementation of GASB Statement No. 48 did not have an effect on the financial statements of the District.

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 50 establishes standards that more closely align the financial reporting requirements for pensions with those of other postemployment benefits. The implementation of GASB Statement No. 50 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

Fund balances at June 30, 2008 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Public school preschool	\$ 9,096
Alternative education grant	1,378
Poverty aid	79,071
IDEA Part B	21,245
Project head start	325,848
Drug free schools	137
Preschool	2,489
Improving teacher quality	6,599

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances result from adjustments for accrued liabilities.

C. Legal Compliance

Contrary to Sections 5705.10(H) and 3315.20, Ohio Revised Code, the District had a negative cash fund balance in the following fund indicating that revenue from other sources was used to pay obligations of this fund. There were no requests for payment pending at fiscal year-end sufficient to cover the amount of the deficit.

<u>Nonmajor Special Revenue Funds</u>	
Head Start	\$ 262,982

In order to eliminate future negative cash, the District will make cash advances during the year and/or request payment of grant monies prior to fiscal year-end.

NOTE 4 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Deposits with Financial Institutions

At June 30, 2008, the carrying amount of all District deposits was \$2,748,402, exclusive of the \$13,470,000 repurchase agreement included in investments below. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2008, \$2,601,072 of the District's bank balance of \$2,801,072 was exposed to custodial risk as discussed below, while \$200,000 was covered by the FDIC.

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

B. Investments

As of June 30, 2008, the District had the following investments and maturities:

Investment type	Fair Value	Investment Maturities	
		6 months or less	7 to 12 months
FHLB	\$ 7,915,500	\$ -	\$ 7,915,500
FHLMA	17,263,480	-	17,263,480
FNMA	2,926,500	-	2,926,500
STAR Ohio	3,007,431	3,007,431	-
U.S. government money market	60,513	60,513	-
Repurchase agreements	13,470,000	13,470,000	-
	<u>\$ 44,643,424</u>	<u>\$ 16,537,944</u>	<u>\$ 28,105,480</u>

The weighted average maturity of investments is 0.52 years.

Interest Rate Risk: Interest rate risk is the possibility that changes in interest rates will adversely affect the fair value of an investment. The District's investment policy places a five year limit on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk: The District's federal agency securities were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned STAR Ohio and the U.S. government money market an AAAM money market rating. The District's investment policy does not specifically address credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the District's name. Of the District's investment in repurchase agreements, the entire balance is collateralized by underlying securities that are held by the investment's counterparty, not in the name of the District. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of securities subject to a repurchase agreement by 2%.

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of Credit Risk: The District's investment policy places specific limits on the percentage of the District's portfolio that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2008:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
FHLB	\$ 7,915,500	17.73
FHLMA	17,263,480	38.66
FNMA	2,926,500	6.56
STAR Ohio	3,007,431	6.74
U.S. government money market	60,513	0.14
Repurchase agreement	<u>13,470,000</u>	<u>30.17</u>
Total	<u>\$ 44,643,424</u>	<u>100.00</u>

C. Reconciliation of Cash and Investments to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2008:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 2,748,402
Investments	<u>44,643,424</u>
Total	<u>\$ 47,391,826</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$47,168,641
Private-purpose trust funds	139,658
Agency funds	<u>83,527</u>
Total	<u>\$47,391,826</u>

NOTE 5 - INTERFUND TRANSACTIONS

Interfund balances at June 30, 2008 as reported on the fund financial statements, consist of the following amounts due to/from other funds:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	\$ 317,225

The primary purpose of the due to/from other funds is to cover negative cash in the various nonmajor governmental funds. The interfund balance will be repaid once the anticipated revenues are received.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2008 are reported on the statement of net assets.

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the District fiscal year runs from July through June. First half tax collections are received by the District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar year 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien December 31, 2006, were levied after April 1, 2007 and are collected in 2008 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2008 (other than public utility property) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2008, on the value as of December 31, 2007. Tangible personal property tax is being phased out. For 2007, tangible personal property was assessed at 12.50% for property, including inventory. This percentage was reduced to 6.25% for 2008 and will be reduced to zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2008-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The District receives property taxes from Summit County. The County Fiscal Officer periodically advances to the District their portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2008, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2008 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

The amount available as an advance at June 30, 2008 was \$1,303,347 in the general fund. This amount has been recorded as revenue. The amount that was available as an advance at June 30, 2007 was \$1,473,373 in the general fund.

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 6 - PROPERTY TAXES - (Continued)

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

The assessed values upon which the fiscal year 2008 taxes were collected are:

	2007 Second Half Collections		2008 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 396,317,800	87.49	\$ 397,242,640	91.44
Public utility personal	11,731,530	2.59	8,398,870	1.93
Tangible personal property	<u>29,057,901</u>	<u>9.92</u>	<u>28,778,941</u>	<u>6.63</u>
Total	<u>\$ 437,107,231</u>	<u>100.00</u>	<u>\$ 434,420,451</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$60.23		\$59.89	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2008 consisted of taxes, accounts (billings for user charged services and student fees), intergovernmental grants and entitlements, and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

Governmental activities:

Property taxes	\$ 14,045,649
Accounts	62,695
Intergovernmental	973,227
Accrued interest	<u>40,746</u>
Total	<u>\$ 15,122,317</u>

Receivables have been disaggregated on the face of the financial statements. All receivables are expected to be collected within one year.

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	<u>Balance at June 30, 2007</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at June 30, 2008</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 5,239,550	\$ -	\$ -	\$ 5,239,550
Construction in progress	-	187,384	-	187,384
Total capital assets, not being depreciated	<u>5,239,550</u>	<u>187,384</u>	<u>-</u>	<u>5,426,934</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	5,550,893	-	-	5,550,893
Buildings and improvements	50,074,274	-	-	50,074,274
Furniture and equipment	3,454,690	14,995	-	3,469,685
Vehicles	1,369,652	-	-	1,369,652
Total capital assets, being depreciated	<u>60,449,509</u>	<u>14,995</u>	<u>-</u>	<u>60,464,504</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(2,390,801)	(260,522)	-	(2,651,323)
Buildings and improvements	(13,566,456)	(1,115,121)	-	(14,681,577)
Furniture and equipment	(2,385,232)	(146,012)	-	(2,531,244)
Vehicles	(810,966)	(72,539)	-	(883,505)
Total accumulated depreciation	<u>(19,153,455)</u>	<u>(1,594,194)</u>	<u>-</u>	<u>(20,747,649)</u>
Governmental activities capital assets, net	<u>\$ 46,535,604</u>	<u>\$ (1,391,815)</u>	<u>\$ -</u>	<u>\$ 45,143,789</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 965,475
Special	1,604
<u>Support Services:</u>	
Instructional staff	45,211
Administration	34,627
Fiscal	3,857
Operations and maintenance	33,995
Pupil transportation	90,670
Extracurricular activities	242,326
Food service operations	<u>176,429</u>
Total depreciation expense	<u>\$ 1,594,194</u>

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 9 - LONG-TERM OBLIGATIONS

A. Activity in the District's long-term obligations during fiscal year 2008 were as follows:

<u>Governmental activities</u>	<u>Interest</u>	<u>Balance at June 30, 2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2008</u>	<u>Due within One Year</u>
<u>Bonds</u>						
School improvements, series 1998						
Capital appreciation	12.93%	\$ 659,962	\$ -	\$ (349,586)	\$ 310,376	\$ 310,376
Accreted interest		1,417,022	201,669	(825,414)	793,277	793,277
School improvements refunding, series 2005						
Serial	3.00-5.00%	21,435,000	-	(205,000)	21,230,000	215,000
Capital appreciation	10.624%	1,409,990	-	-	1,409,990	-
Accreted interest		298,045	186,174	-	484,219	-
Total bonds		<u>25,220,019</u>	<u>387,843</u>	<u>(1,380,000)</u>	<u>24,227,862</u>	<u>1,318,653</u>
<u>Notes</u>						
Bond anticipation notes	2.60%	-	31,166,199	-	31,166,199	31,166,199
<u>Loans</u>						
Building and improvements	3.90%	189,000	-	(189,000)	-	-
Total loans		<u>189,000</u>	<u>-</u>	<u>(189,000)</u>	<u>-</u>	<u>-</u>
<u>Other obligations</u>						
Early retirement incentive		588,243	-	(588,243)	-	-
Compensated absences		1,701,658	367,689	(337,478)	1,731,869	216,665
Total other obligations		<u>2,289,901</u>	<u>367,689</u>	<u>(925,721)</u>	<u>1,731,869</u>	<u>216,665</u>
Total long-term liabilities		<u>\$ 27,698,920</u>	<u>\$ 31,921,731</u>	<u>\$ (2,494,721)</u>	<u>57,125,930</u>	<u>\$32,701,517</u>
Add: Unamortized premium on bond issue					1,279,907	-
Less: Unamortized deferred charges on refunding					(1,019,089)	-
Add: Tax anticipation notes (see Note 10)					2,205,000	735,000
Total on statement of net assets					<u>\$ 59,591,748</u>	<u>\$33,436,517</u>

B. School Improvement Bonds (Series 1998) - In fiscal year 1998 the District issued School Improvement Bonds for \$31,999,962, which are to be paid from money received from the Barberton Community Foundation. The District receives in November of each year the amount necessary to make debt service payments for the following calendar year. Interest earned on these monies will be used for the repayment of the bonds. The requests from the Foundation will be for the required payments reduced by the amount of interest earned. The bonds were issued to cover the costs of the new high school. The Barberton Community Foundation was established to improve the lives of the citizens of Barberton by offering scholarships to Barberton High School graduates and by awarding grants to not-for-profit organizations to serve the citizens of Barberton.

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

A portion of the 1998 School Improvement bonds were refunded during fiscal year 2006 in the amount of \$22,880,000. At June 30, 2008, the balance of the bonds was \$1,103,653. The non-refunded portion of the issue is comprised of both current interest bonds, par value \$1,115,000, which matured November 1, 2006, and capital appreciation bonds, par value \$659,962. During fiscal year 2008, capital appreciation bonds of \$349,586 matured with a total amount of accreted interest of \$825,414. The remaining capital appreciation bonds mature on November 1, 2008 (effective interest rate 12.93%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the remaining capital appreciation bonds is \$310,376. A total of \$793,277 in accreted interest on the capital appreciation bonds has been included in the statement of net assets at June 30, 2008.

The following is a summary of the future debt service requirements to maturity for the series 1998 general obligation bonds:

Fiscal Year Ended,	Capital Appreciation Bonds		
	Principal	Interest	Total
2009	\$ 310,376	\$ 864,624	\$ 1,175,000
Total	\$ 310,376	\$ 864,624	\$ 1,175,000

School Improvement Refunding Bonds (Series 2005) - On August 24, 2005, the District issued general obligation School Improvement Bonds to advance refund \$22,880,000 of the current interest Series 1998 School Improvement Bonds. The refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net assets.

The refunding issue is comprised of both current interest bonds, par value \$21,470,000, and capital appreciation bonds, par value \$1,409,990. The interest rate on the current interest bonds ranges from 3.00-5.00%. The capital appreciation bonds mature November 1, 2012 (effective interest 10.624%) and November 1, 2013 (effective interest 10.624%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The present value (as of issue date) reported in the statement of net assets at June 30, 2008 was \$1,409,990. Total accreted interest of \$484,219 has been included in the statement of net assets.

Interest payments on the current interest bonds are due on May 1 and November 1 each year. The final maturity stated in the issue is November 1, 2022.

The reacquisition price exceeded the net carrying amount of the old debt by \$1,220,537. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued.

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

The following is a summary of the future debt service requirements to maturity for the series 2005 general obligation refunding bonds:

Fiscal Year Ended,	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2009	\$ 215,000	\$ 941,845	\$ 1,156,845	\$ -	\$ -	\$ -
2010	1,395,000	911,926	2,306,926	-	-	-
2011	1,445,000	858,676	2,303,676	-	-	-
2012	1,500,000	801,582	2,301,582	-	-	-
2013	-	771,582	771,582	741,452	818,548	1,560,000
2014 - 2018	6,640,000	3,309,692	9,949,692	668,538	891,462	1,560,000
2019 - 2023	10,035,000	1,220,837	11,255,837	-	-	-
Total	<u>\$ 21,230,000</u>	<u>\$ 8,816,140</u>	<u>\$ 30,046,140</u>	<u>\$ 1,409,990</u>	<u>\$ 1,710,010</u>	<u>\$ 3,120,000</u>

Bond Anticipation Notes - On April 7, 2008, the District issued \$31,166,199 in bond anticipation notes at an interest rate of 2.60%. The notes were issued in anticipation of the issuance of bonds for the purpose of constructing, renovating, remodeling, rehabilitating, adding to, furnishing, equipping and improving District buildings and facilities, acquiring, clearing, improving and equipping real estate for school purposes. The notes mature on November 4, 2008. The notes will be repaid by the proceeds of the bonds from the debt service fund (see Notes 18). As of June 30, 2008, the District had not spent the proceeds from the note issuance.

Buildings and Improvements Loan - On December 26, 2002 the District entered into a loan agreement in the amount of \$892,000 for various improvements and acquisitions through an asset pool program. Payments for this loan were paid out of the general fund. Final payments were made during fiscal year 2008.

Compensated Absences - Compensated absences will be paid from the fund from which the employee is paid, which for the District is primarily the general fund.

Early Retirement Incentive - Early retirement incentives were paid from the fund from which the employee is paid, which is the general fund.

C. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations.

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

The Ohio Revised Code further provides that when a board of education declares a resolution that the student population is not adequately served by existing facilities, and that insufficient capacity exists within the 9 percent limit to finance additional facilities, the State Department of Education may declare that District a "special needs" District. This permits the incurrence of additional debt based upon projected 5-year growth of the school district's assessed valuation. The District was determined to be a "special needs" District on November 14, 2007. In addition, the unvoted net debt of a school district cannot exceed 0.1 percent of the total assessed value of property.

NOTE 10 - NOTES PAYABLE

During fiscal year 2005, the District issued \$3,675,000 in tax anticipation notes in advance of property tax collection, depositing the proceeds in the general fund. These notes carry an interest rate of 3.64% and mature on December 1, 2010. Activity during the fiscal year was as follows:

	<u>Balance at June 30, 2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2008</u>	<u>Due Within One Year</u>
Tax anticipation notes	\$ 2,940,000	\$ -	\$ (735,000)	\$ 2,205,000	\$ 735,000

Principal and interest requirements to amortize tax anticipation notes outstanding at June 30, 2008 are as follows:

<u>Fiscal Year Ended,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 735,000	\$ 66,885	\$ 801,885
2010	735,000	40,131	775,131
2011	<u>735,000</u>	<u>13,777</u>	<u>748,777</u>
Total	<u>\$ 2,205,000</u>	<u>\$ 120,793</u>	<u>\$ 2,325,793</u>

NOTE 11 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components is derived from negotiated agreements and state laws. Classified employees earn ten to thirty days of vacation per year, depending upon length of service. Administrator employees earn twenty vacation days per year and teachers do not earn vacation time.

Teachers, administrators, and classified employees can earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of two hundred fifty days for certified employees, two hundred thirty days for year round classified employees and two hundred fifteen days for nine month classified employees. Upon retirement, payment is made for one-fourth of their accrued, but unused sick leave credit to a maximum established by negotiated agreements.

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 11 - EMPLOYEE BENEFITS - (Continued)

B. Early Retirement Incentive

The District has offered an early retirement incentive (“ERI”) to provide certified employees with an incentive to voluntarily separate from employment with the District effective June 30, 2006. Severance payments for teachers electing to retire under the ERI shall be paid in two equal installments with each installment paid on or about September 19, 2006 and September 19, 2007. A liability for severance payments due under the ERI have been recorded on the government-wide statement of net assets as a component of “long-term liabilities”. Final ERI payments were made during fiscal year 2008.

C. Health Care Benefits

The District provides medical, dental, vision and life insurance benefits to most employees. The premium and coverage varies with employee depending on the terms of the union contract.

NOTE 12 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of; damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. There have been no settlements paid in excess of insurance nor has insurance coverage been significantly reduced in any of the past three years.

The District uses an internal service fund to record and report its self funded health care insurance program. The claim liability of \$628,461 reported in the fund at fiscal year-end was estimated by third party administrators and is based on the requirements of GASB Statement No. 10, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported.

The District purchases stop-loss coverage of \$1,000,000 per employee. Changes in the fund’s claims liability during the current and prior fiscal years were:

	Balance at Beginning <u>of Year</u>	Current <u>Year Claims</u>	<u>Claim Payments</u>	Balance at <u>End of Year</u>
2007	\$ 188,343	\$ 2,735,076	\$ (2,690,453)	\$ 232,966
2008	232,966	3,791,970	(3,396,475)	628,461

The District pays the State Workers’ Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 13 - PENSION PLANS

A. School Employees Retirement System

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under *Forms and Publications*.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$457,030, \$470,880 and \$443,208, respectively; 44.17 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. \$389,998 represents the unpaid contribution for fiscal year 2008 and is recorded as a liability within the respective funds.

B. State Teachers Retirement System of Ohio

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 13 - PENSION PLANS - (Continued)

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For fiscal year 2008, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were \$2,475,060, \$2,388,409, and \$2,403,583, respectively; 83.44 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$26,278 made by the District and \$55,317 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2008, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

NOTE 14 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$35,800.

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 14 – POSTEMPLOYMENT BENEFITS- (Continued)

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$279,329, \$229,496, and \$224,217, respectively; 44.17 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2008, this actuarially required allocation was 0.66 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$32,930, \$32,020, and \$35,276, respectively; 44.17 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System of Ohio

Plan Description - The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$190,389, \$183,724, and \$184,891, respectively; 83.44 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of GAAP, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The statement of revenues, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

not already recognized as an account payable (GAAP basis); and

(d) Investments are recorded at fair value (GAAP basis) rather than cost (budget basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

Net Change in Fund Balance	<u>General fund</u>
Budget basis	\$ (99,815)
Net adjustment for revenue accruals	789,563
Net adjustment for expenditure accruals	194,796
Net adjustment for other sources/(uses)	(57,402)
Adjustment for encumbrances	<u>722,051</u>
GAAP basis	<u>\$ 1,549,193</u>

NOTE 16 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds; however, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District at June 30, 2008.

B. Litigation

The District is a party to legal proceedings seeking damages or injunctive relief generally incidental to its operations and spending projects. The District management is of the opinion that disposition of the claim and legal proceedings will not have a material effect, if any, on the financial condition of the District.

NOTE 17 - STATUTORY RESERVES

The District is required by State statute to annually set aside monies for the purchase of textbooks and other instructional materials and for capital improvements purchases. The amounts set-aside may be reduced by offset credits, which are monies received and restricted for the same specific purpose. The District had qualifying disbursements during the year that reduced the set-aside amount below zero in the textbooks /instructional materials reserve. This extra amount may only be used to reduce the set-aside requirement of future years.

Amounts not spent by year-end or reduced by offset credits must be held in cash at year-end and carried forward to be used for the same purposes in future years.

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 17 - STATUTORY RESERVES - (Continued)

During the fiscal year ended June 30, 2008, the reserve activity was as follows:

	Textbooks/ Instructional Materials Reserve	Capital Maintenance Reserve
Set-aside balance as of June 30, 2007	\$ (51,112)	\$ 588,409
Current year set-aside requirement	650,772	650,772
Qualifying disbursements	(1,520,851)	-
Total	\$ (921,191)	\$ 1,239,181
Balance carried forward to FY 2009	\$ (921,191)	\$ 1,239,181

Restricted assets for the capital maintenance reserve at June 30, 2008 in the amount of \$1,239,181 has been reported on the balance sheet of the governmental funds.

NOTE 18 - SIGNIFICANT SUBSEQUENT EVENTS

School improvement bonds were issued on July 10, 2008 for the purpose of financing the District's share of the Ohio School Facilities Commission agreement and locally funded initiatives for purpose of constructing, renovating, remodeling, rehabilitating, adding to, furnishing, equipping and improving District buildings and facilities, acquiring, clearing, improving and equipping real estate for school purposes.

The bonds consisted of \$34,175,000 in current interest bonds and \$74,993 in capital appreciation bonds. The interest rates are 3.00%-5.25% for the current interest bonds and 34.40% for the capital appreciation bonds. Interest payments on the current interest bonds are due on June 1 and December 1 each year beginning December 1, 2008. The final maturity stated in the issue is December 1, 2033.

The District signed an agreement with the Ohio School Facilities Commission (the "Commission") to participate in the classroom facilities assistance program on June 5, 2008, which was approved by the Commission on August 6, 2008. The total budget for the project is \$76,114,103; the State share is \$45,668,462 and the local share will be \$30,445,641. The District has included a locally funded initiative for the project in the amount of \$1,463,136 along with allowances for demolition and special foundations for new schools.

The bond proceeds and revenue related to the State share of the agreement will be recorded by the District in fiscal year 2009.

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**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2008**

Federal Grantor/ Pass Through Grantor/ Program Title	Grant Year	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through the Ohio Department of Education:</i>						
Food Donation	N/A	10.550		\$86,361		\$86,361
Child Nutrition Cluster:						
School Breakfast Program	N/A	10.553	\$239,698		\$239,698	
National School Lunch Program	N/A	10.555	859,390		859,390	
Total Child Nutrition Cluster			1,099,088		1,099,088	
Child and Adult Care Food Program	N/A	10.558	15,295		15,295	
Total U.S. Department of Agriculture			1,114,383	86,361	1,114,383	86,361
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through the Ohio Department of Education:</i>						
Special Education Cluster						
Special Education - Grants to States	2007	84.027	132,808		128,880	
	2008		1,022,755		1,050,685	
Total Special Education - Grants to States			1,155,563		1,179,565	
Special Education - Preschool Grants	2007	84.173	3,425		10,863	
	2008		55,346		59,577	
Total Special Education - Preschool Grants			58,771		70,440	
Total Special Education Cluster			1,214,334		1,250,005	
Title I Grants to Local Educational Agencies - Basic	2007	84.010	1,655		146,684	
Title I Grants to Local Educational Agencies - Basic	2008		1,021,088		1,082,425	
Title I Grants to Local Educational Agencies - Basic	2008		2,000		(3,283)	
Title I Grants to Local Educational Agencies - Targeted Assistance	2008		17,737		14,493	
Title I Grants to Local Educational Agencies - School Improvement	2007		6,363		9,075	
Title I Grants to Local Educational Agencies - School Improvement	2008		47,617		23,804	
Title I Grants to Local Educational Agencies - School Improvement	2008		47,617		31,942	
Title I Grants to Local Educational Agencies - School Improvement	2008		47,617		32,559	
Title I Grants to Local Educational Agencies - School Improvement	2008		47,617		29,208	
Total Title I Grants to Local Educational Agencies			1,239,311		1,366,907	
Safe and Drug-Free Schools and Communities-State Grants	2007	84.186	(3,280)		(831)	
	2008		30,163		30,163	
Total Safe and Drug-Free Schools and Communities-State Grants			26,883		29,332	
State Grants for Innovative Programs	2007	84.298	1,469		2,151	
	2008		6,578		7,198	
Total State Grants for Innovative Programs			8,047		9,349	
Education Technology State Grants	2007	84.318	9,190		12,046	
	2008		8,656		10,302	
Total Education Technology State Grants			17,846		22,348	
Improving Teacher Quality State Grants	2007	84.367	20,954		42,555	
	2008		274,869		292,779	
Total Improving Teacher Quality State Grants			295,823		335,334	
Total Passed through the Ohio Department of Education			2,802,244		3,013,275	
Direct Award						
Impact Aid	N/A	84.041	43,693		43,693	
Total U.S. Department of Education			2,845,937		3,056,968	
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>						
<i>Passed Through the Akron Summit County Action Agency:</i>						
Head Start	N/A	93.600	1,552,099		1,687,638	
Latchkey	N/A	93.600	32,008		32,008	
Total U.S. Department of Health and Human Services			1,584,107		1,719,646	
Totals			\$5,544,427	\$86,361	\$5,890,997	\$86,361

The accompanying notes to this schedule are an integral part of this schedule.

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2008**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) summarizes activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

NOTE C – FOOD DONATION PROGRAM

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the entitlement value of the commodities received.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Barberton City School District
Summit County
479 Norton Avenue
Barberton, Ohio 44203

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Barberton City School District, Summit County, Ohio, (the District) as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 31, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted certain matters that we reported to the District's management in a separate letter dated December 31, 2008.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain noncompliance or other matters that we reported to the District's management in a separate letter dated December 31, 2008.

We intend this report solely for the information and use of the audit committee, management, Board of Education, and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

December 31, 2008



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Barberton City School District
Summit County
479 Norton Avenue
Barberton, Ohio 44203

To the Board of Education:

Compliance

We have audited the compliance of Barberton City School District, Summit County, Ohio, (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended June 30, 2008. The summary of auditor's results section of the accompanying Schedule of Findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the Barberton City School District complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2008.

In a separate letter to the District's management dated December 31, 2008, we reported other matters related to federal noncompliance not requiring inclusion in this report.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that the District's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We intend this report solely for the information and use of the audit committee, management, Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Mary Taylor, CPA
Auditor of State

December 31, 2008

**BARBERTON CITY SCHOOL DISTRICT
SUMMIT COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2008**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	School Breakfast Program CFDA # 10.553 & National School Lunch Program 10.555 and Head Start CFDA # 93.600
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None

3. FINDINGS FOR FEDERAL AWARDS

None



Mary Taylor, CPA
Auditor of State

BARBERTON CITY SCHOOL DISTRICT

SUMMIT COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 12, 2009**